

THE LIBRARY OF CONGRESS

Consolidated Statement of Financial Position

As of September 30, 1996

ASSETS

Entity Assets:

Intragovernmental Assets

Fund Balance with Treasury (Note 2)	\$ 171,418,493
Investments (Note 4)	17,801,646
Accounts Receivable, Net	5,987,652
Interest Receivable	238,152

Governmental Assets

Investments	10,407,582
Accounts Receivable, Net	470,919
Advances	6,429
Pledges Receivable - Donations (Note 5)	10,344,882
Cash and Other Monetary Assets	574,239
Inventory	374,605
Operating Materials and Supplies	2,097,617
Property and Equipment, Net (Note 6)	48,135,647
Library Collections (Note 1.M)	

Total Entity Assets	\$ 267,857,863	
----------------------------	----------------	--

Non-Entity Assets:

Fund Balance with Treasury (Note 2)	247,312
Investments, Intragovernmental Securities (Note 4)	639,546,033
Accounts Receivable, Net - Intragovernmental	99,484
Accounts Receivable, Net - Public	3,181
Interest Receivable	533,052
Cash and Other Monetary Assets	63,965

Total Non-Entity Assets	640,493,027	
--------------------------------	-------------	--

Total Assets		\$ 908,350,890
---------------------	--	----------------

LIABILITIES

Liabilities Covered by Budgetary Resources:

Accounts Payable - Intragovernmental	\$ 589,552
Accounts Payable - Public	17,084,176
Accrued Funded Payroll, Benefits	11,262,164

Total Liabilities Covered by Budgetary Resources	\$ 28,935,892	
---	---------------	--

Liabilities not Covered by Budgetary Resources:

Accounts Payable - Public	35,745
Advances From Others - Intragovernmental	32,861,194
Advances From Others - Public	724,181
Custodial and Deposit Account Liability	644,121,478
Receipts Held for Treasury	102,665
Accrued Unfunded Annual and Compensatory Leave	14,854,833
Accrued Unfunded Workers' Compensation (Note 8)	11,482,475
Capital Lease Liabilities	944,612

Total Liabilities not Covered by Budgetary Resources	705,127,183	
---	-------------	--

Total Liabilities		\$ 734,063,075
--------------------------	--	----------------

NET POSITION (Note 10)

Balances:

Unexpended Appropriations	91,074,632
Invested Capital	46,942,508
Cumulative Results of Operations	46,262,726
Unrealized Gain on Governmental Investments	71,319
Donations and Other - Restricted	16,273,938
Future Funding Requirements	(26,337,308)

Total Net Position		174,287,815
---------------------------	--	-------------

Total Liabilities and Net Position		\$ 908,350,890
---	--	----------------

The accompanying notes are an integral part of these consolidated financial statements.

THE LIBRARY OF CONGRESS
Consolidated Statement of Operations
And Changes In Net Position
For the Year Ended September 30, 1996

Revenues and Financing Sources

Appropriated Capital Used	\$ 344,504,290	
Revenue from Sales of Goods	1,089,517	
Revenue from Services Provided	56,457,038	
Donations	15,274,861	
Interest, Non-Federal	450,551	
Interest, Federal	1,699,951	
Other Revenues and Financing Sources	1,099,238	
Less: Receipts Transferred to Treasury	<u>(213,242)</u>	
Total Revenues and Financing Sources		\$ 420,362,204

Expenses

Operating Expenses:		
Personnel Services and Benefits	253,664,577	
Travel and Transportation	2,681,352	
Rental, Communication, and Utilities	10,622,277	
Printing and Reproduction	5,468,588	
Contractual Services	50,767,132	
Supplies and Materials	7,303,095	
Library Materials	54,837,349	
Non-Capitalizable Equipment	16,598,419	
Other Operating Expenses	117,715	
Depreciation and Amortization	12,886,656	
Other Expenses	<u>121,581</u>	
Total Expenses		<u>415,068,741</u>

Excess of Revenues and Financing

Sources over Expenses **\$ 5,293,463**

Changes in Net Position

Net Position, Beginning Balance, as		
Previously Stated	\$ 179,531,861	
Adjustments (Note 11)	<u>(7,406,138)</u>	
Net Position, Beginning Balance, as Restated		\$ 172,125,723
Excess of Revenues and Financing		
Sources over Expenses		5,293,463
Non-Operating Changes (Note 12)		<u>(3,131,371)</u>
Net Position, Ending Balance (Note 10)		\$ <u>174,287,815</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U. S. Congress. Since then, the Library has been assigned other major missions such as administering the U. S. copyright laws, providing cataloging records to the Nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U. S. and its territories and U. S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift and trust funds.

The Library's programs and operations are subject to oversight by the Joint Committee on the Library which is comprised of members of the U. S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library receives donations from the public in the form of gifts and trusts. The trust funds are controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (2), the U.S. House of Representatives (4), and the U. S. Senate (4).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of custodial accounts which are not available for use by the Library.

B. Basis of Presentation

The accompanying consolidated statements report the financial position, operations, and changes in net position of the Library for fiscal year 1996. These consolidated financial statements include the accounts of all funds under the Library's control which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with the form and content for entity financial statements specified by the Library's Financial Management regulations and directives and the accounting policies summarized in this note.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the new standards now being developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the executive branch reporting requirements in a manner consistent with a legislative agency.

All significant intra-agency balances and transactions have been eliminated in consolidation.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

The statements include 5 appropriated fund accounts; 11 gift revolving funds; reimbursable funds (including four major programs); 81 trust funds; and 140 gift funds. The consolidating schedules display the funds in five groupings: appropriated, reimbursable, gift and trust, revolving, and custodial.

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. The three principals of FASAB, the Comptroller General, the Secretary of the Treasury, and the Director of OMB, will decide upon new principles, standards, and requirements after considering FASAB's recommendations. The resulting standards are concurrently issued by GAO and OMB. Pending issuance and effective date of a sufficiently comprehensive set of accounting standards, and in accordance with interim guidance agreed to by the three principals, the accompanying consolidated financial statements have been prepared in accordance with the following hierarchy of accounting principles and standards:

- Individual standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) Principals: GAO, OMB, and the Department of Treasury, based upon recommendations from FASAB;
- Form and content requirements included in OMB Bulletin 94-01, dated November 16, 1993, and subsequent issuances;
- Library of Congress Regulations and Financial Services Directives; and
- Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

D. Revenues and Other Financing Sources

The Library receives the majority of its funding to support its programs through five appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. The five appropriations are:

- Library of Congress, Salaries and Expenses - (annual) 0360101; (no-year) 03X0101
- Copyright Office, Salaries and Expenses - (annual) 0360102
- Congressional Research Service, Salaries and Expenses - (annual) 0360127
- National Library Service for the Blind and Physically Handicapped,
Salaries and Expenses - (annual) 0360141; (no-year) 03X0141
- Furniture and Furnishings - (annual) 0360146; (no-year) 03X0146

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriation legislation. Also, the Library receives gifts from donors and interest on invested funds. In addition, the Library operates several self-sustaining gift revolving funds which generate revenues from sale of various products and services to the public and federal customers.

Appropriations are recognized as revenues at the time they are used to pay expenses. Other revenues are recognized when earned. Reimbursable and revolving fund revenue is recognized when goods have been delivered or services rendered.

E. Gift and Trust Funds

During fiscal 1996, the Library administered 221 gift and trust funds with combined asset value of approximately \$56 million. All funds are restricted as to their use which must be in accordance with the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on trust funds by the terms of a trust agreement or donor's will. Library fund managers administer and oversee the gift and trust funds to ensure they are used as directed by the donors and in accordance with Library policy.

F. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and trust, revolving, and custodial funds that are on deposit with the U. S. Treasury.

G. Cash and Other Monetary Assets

Cash and other monetary assets is defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand, imprest funds, and foreign currency.

The Library receives and utilizes foreign currencies in carrying out operations abroad. It conducts business through six overseas offices and uses local currencies. Additionally, the Library administers two U.S. Treasury foreign currency accounts (Indian rupees and Japanese yen). At year-end, account balances remaining in foreign currencies were translated to U.S. dollar equivalents at the uniform government-wide Treasury reporting rates. Foreign currency balances at year-end are immaterial to the consolidated financial statements.

H. Investments (Net)

Trust Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. The policy provides three options for investment of trust funds:

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- a private investment pool consisting of four stock funds and one money market fund. The funds recommended by the Trust Fund Board's investment committee are:

3. SUPPLEMENTAL SCHEDULES

F. STATEMENT OF ACTIVITIES BY FUND - EXPENSES

LIBRARY OF CONGRESS TRUST FUND BOARD
SUMMARY FOR STATEMENT OF ACTIVITIES BY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

TRUST FUND NAME	STAFF SUPPORT	TRAVEL & TRANSPORT.	SUPPLIES & MATERIALS	PRINTING & REPRODUCTION	PERFORMANCES	PROF. & CONSULT FEES	OTHER SERVICES	GRANTS	POSTAGE	TOTAL EXPENSES
Allen, Rae Virginia	\$66	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$66
Ameritech National Digital Library	9,236	0	0	288	0	0	0	0	0	9,524
Babine, Alexis	27	0	0	0	0	0	0	0	0	27
Bendiner Memorial	12,599	0	20,306	0	0	0	0	0	0	32,905
Benjamin, William E.	394	8,757	0	40	0	0	389	0	0	9,580
Berla, Julian & Freda	337	0	0	0	0	0	0	0	0	337
Berryman, C. K. Memorial	0	0	0	0	0	0	0	0	0	0
Billington, James H.	0	0	0	0	0	0	0	0	0	0
Boorstin, D & R Publications Fund	328	0	0	0	0	0	0	0	0	328
Bowker, R. R.	72	0	0	0	0	0	0	0	0	72
Carnegie Corporation	75	5,907	0	0	0	0	(85)	0	0	5,897
Center For The Book	66	0	0	0	0	0	0	0	0	66
Combined Fund	0	0	0	0	0	0	0	0	0	0
Coolidge Foundation	31	3,393	0	0	9,002	0	11,100	0	0	23,526
Croft, William & Adeline	297	1,883	0	0	0	0	0	0	0	2,180
Cronin, John W. Bequest	80	0	0	0	0	0	0	0	0	80
Dadian, Arthur H.	33,746	370	550	0	0	0	333	0	0	34,999
Development Fund	814	0	0	235	0	29,568	55,381	0	0	85,998
Elson Memorial Fund	0	0	0	0	0	0	0	0	0	0
Evans, Archibald	23	0	0	0	0	0	0	0	0	23
Feinberg, Lenore & Charles	0	0	0	0	0	0	0	0	0	0
Friends of Music	0	(148)	0	0	0	0	0	0	0	(148)
Freud, Sigmund Fund	5,970	1,468	0	180	0	27,033	5,165	0	0	39,816
Gershwin, Ira & Leonore	12,588	31,462	308,866	53,994	540,092	111,548	46,914	27,500	0	1,132,964
Goldman, Joanna J. Memorial	0	132	0	0	0	10,000	4,679	0	0	14,811

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

L. Property and Equipment, Net

The Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$10,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

The largest category of equipment is for the National Library Service for the Blind and Physically Handicapped lending program which is classified as equipment on loan to the public in Note 6. The Library purchases this unique, specially designed equipment from the manufacturer in large lots with a high bulk value. For financial reporting purposes, the machines are grouped by the aggregate amount purchased and shipped to machine lending agencies during a fiscal year. Each fiscal year group is then accounted for over the estimated useful life of the assets in the aggregate. This is a change in accounting principle from the previous fiscal year, as explained in Note 11, "Prior Period Adjustments." The value of the equipment does not include any freight or postage costs. These shipping costs are included under the U.S. Postal Service's "free matter for the blind and physically handicapped." The value of this service cannot be determined.

Operating equipment is amortized over a 4 to 20 year period. ADP software is software purchased from outside vendors with a value of \$10,000 or more per item and an estimated useful life of three years or more. It does not include internally developed or leased software.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Accounting Standards is included in property and equipment.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and trust funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and trust funds and transferred to the Library's appropriated fund.

Land, buildings, and improvements are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center) and a secondary storage facility at Fort Meade, Maryland. Costs associated with the acquisition and maintenance of these buildings are accounted for by the Architect. In fiscal year 1996, the Architect received an appropriation totalling \$12.4 million to fund the structural and mechanical care of these buildings. This appropriation is not reflected in the accompanying consolidated financial statements.

M. Library Collections

The Library's collections are classified as heritage assets, and their value is not presented on the financial statements. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

N. Liabilities

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or are the result of custodial and deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned and workers' compensation liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the reimbursable programs and the Photoduplication Service that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C., the Uniform Annual and Sick Leave Regulations of the Civil Service Commission, and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave. Accrued annual leave is accrued as it is earned and adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment.

O. Retirement Plans

Approximately 55 percent of the Library's employees participate in the Civil Service Retirement System (CSRS), to which the Library makes matching contributions equal to 7 percent of pay. Forty-five percent are covered by the Federal Employees Retirement System (FERS) to which the Library makes employer contributions equal to the agency's share of the normal costs of benefits, automatically contributes one percent of pay for the Thrift Savings Plan (TSP) and matches any employee contribution to the TSP up to an additional four percent of pay. Under FERS, the employee is also covered by Social Security (FICA) to which the Library contributes the employer's matching share. The accrued amounts due for the contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources. Contributions for fiscal year 1996 were as follows:

CSRS	\$9,365,118
FERS	8,189,117
TSP	2,778,209
FICA	4,776,540
Total	<u>\$25,108,984</u>

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies, and is therefore not disclosed by the Library. The reporting of such data, including the disclosure of actuarial data with respect to accumulated plan benefits or the unfunded pension liability, is the responsibility of the Office of Personnel Management.

P. Intragovernmental Activities

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's consolidated financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity.

1. The Library's consolidated financial statements are not intended to report the agency's share of the federal deficit or of public borrowings, including interest thereon.
2. The Library does not report retirement (CSRS or FERS), health benefits, or life insurance liabilities, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is currently the responsibility of the Office of Personnel Management.
3. The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations which work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons.
4. Certain legal actions to which the Library may be a named party are administered and, in some instances, litigated by other federal agencies. Generally, claims to be paid under any decision, settlement, or award pertaining to these litigations are paid from the Treasury's Claims, Judgments, and Relief Acts Fund. Since the Library, except for contract dispute payments, is not required to reimburse this fund for payments made on its behalf, the decision to make such payments is not reflected in the Library's financial statements.

5. Governmental Services:

- a. The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).
- b. Three government agencies provide administrative services to the Library on a reimbursable basis:
 - The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions. In fiscal year 1996, the Library paid \$503,560 for these services.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

- The Library utilizes the services of the Department of State as documented by the Foreign Affairs Administrative Support (FAAS) system to support the Library's six overseas field offices. The Library paid \$560,844 for these support services in fiscal year 1996.

- The General Services Administration (GSA) provides building and vehicle leasing services for the Library. (See Note 7)

c. As noted under Note 1.L, the Architect of the Capitol provides the structural and mechanical care of the Library's capitol hill facilities and remote storage site at Fort Meade, Maryland.

Q. Related Party Organizations

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. **Civilization Magazine - *Civilization***, a bimonthly magazine published under license from the Library by a partnership controlled by L.O.C. Management Corporation based in New York City, was launched in November 1994. The enterprise was approved by the Joint Committee on the Library in the fall of 1993. Under the licensing agreement, the Library may receive donations and must approve all promotional, editorial, and advertising material using the Library's name. Twelve hundred federal repository libraries and the Congress received free subscriptions in fiscal year 1996. In connection with *Civilization*, the Library formed the Library of Congress Associates Program. By subscribing to *Civilization*, a person becomes an Associate entitled to special tours and discounts on food and gift shop merchandise sold at the Library. The donations received by the Library as a result of this publication and the revenue foregone as a result of the discounts given cannot be readily determined.

2. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) repair the cassette book machines and talking book machines. Their labor is valued at \$4.2 million per year.

3. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street in the District of Columbia. The center provides child care for Library employees and other legislative branch employees. Its operations, management, and employees are the responsibility of the corporation and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

4. The Archer M. Huntington Charitable Trust - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the Library of Congress Trust Fund Board and the Board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets at September 30, 1996 of \$4,276,716. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position. In fiscal year 1996, the Library received \$57,564 from the trust.

5. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund Board in January 1992. The primary purpose of the Trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The Charitable Trust does not belong to the Library but is a separate entity administered by trustees. The net income of the Charitable Trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund monthly or in installments after the Library submits project requests. Income is recorded by the Library in the period received. The balance of principal of the Charitable Trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin. The Library received \$1,100,000 from the trust during fiscal year 1996.

6. "Friends" Organizations - Three organizations lend support to Library programs through gifts of money and other property but are incorporated as independent entities under the Internal Revenue Service Code, Section 501 (c)(3).

a. Millennium Foundation, Inc. - The Foundation operates for charitable, educational and literary purposes solely to benefit, support, and carry out the purposes of the Library. The Library allows the Foundation to use its name in connection with the performance of activities approved by the Library. This right exists only so long as Millennium is engaged in activities that directly or indirectly support the mission and objectives of the Library. In its third quarter report, dated September 30, 1996, the Foundation reported total assets on hand of \$74,728. During the year, the Foundation disbursed \$25,882 to the Library of Congress Children's Literature Gift Fund.

b. Friends of the Law Library - This non-profit organization encourages greater awareness and use of the Law Library collections and sponsors programs and activities not covered by federal appropriations. In fiscal year 1996, the Friends supported the Law Library participation in the annual meetings of the American Association of Law Libraries and the American Bar Association and membership in twelve professional associations. The Friends donated ten volumes to the rare book collection and sponsored a program featuring The Honorable Richard A. Posner, Chief Judge of the U.S. Court of Appeals for the Seventh Circuit.

c. Friends of Libraries for the Blind - The non-profit organization's purpose is to heighten awareness and visibility of national library services for blind and physically handicapped individuals in the United States and Canada and assist and promote library services, provide cultural enrichment programs and create and issue periodic

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

communications on topics related to blind and physically handicapped individuals. In fiscal year 1996, the Friends reissued James Wilson's classic editions of *Biography of the Blind* in a commemorative edition. It is available in print, audio and braille formats.

Note 2. Fund Balance With Treasury

Fund balances with Treasury at September 30, 1996, are summarized as follows:

1. ENTITY	Obligated	Unobligated/Available	Unobligated/Unavailable /Restricted	Total
Appropriated Funds	\$84,075,448	\$27,829,004	\$3,733,913	\$115,638,365
Reimbursable Funds	32,739,500	830,229		33,569,729
Gift and Trust Funds	4,424,971	4,503,623	7,751,751	(1) 16,680,345
Gift Revolving Funds	1,952,950	2,853,402	723,702	5,530,054
Total Entity	\$123,192,869	\$36,016,258	\$12,209,366	\$171,418,493
2. NON-ENTITY				
Custodial Funds			247,312	247,312
Total Non-Entity			\$247,312	\$247,312

(1) At September 30, 1996, the gift and trust fund balance with Treasury included \$9,350,000 invested in the permanent loan at an interest rate of 6.625 percent.

Note 3. Custodial Funds

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from the cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "superstation" and network signals, and from importers and manufacturers for distributing digital audio recording products (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a custodial capacity for the copyright owners, income does not accrue to the Library's benefit.

If disputes arise regarding the disposition of the royalties, the Copyright Office recommends that the Librarian convene a copyright royalty arbitration panel. The panel consists of two arbitrators selected from three recommended by the Register of Copyrights. The three recommended arbitrators are selected from a list of professional arbitrators nominated by professional arbitration associations.

The two selected arbitrators select a third who acts as the chairperson of the panel. The Librarian of Congress reviews the panel's decisions and has 60 days to adopt or reject the panel's decision. Decisions may be appealed in Federal court.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

Note 4. Investments, Net

Investments at September 30, 1996 are as follows:

1. ENTITY ASSETS - Trust Funds	Cost	Unamortized Premium	Unrealized Discount	Investments, Net	Market Value
A. Intragovernmental Investments Non-Marketable, Market-Based	\$17,652,000	\$187,080	\$37,434	\$17,801,646	\$17,667,511
B. Governmental Investments Private Sector	10,336,263			10,336,263	10,407,582
Total - Entity	\$27,988,263	\$187,080	\$37,434	\$28,137,909	\$28,075,093
NON-ENTITY ASSETS - Custodial Copyright Royalties					
A. Intragovernmental Investments Non-Marketable, Market-based	\$640,758,000	\$80,229	\$1,292,196	\$639,546,033	\$639,644,092

A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Trust fund investment maturity dates range from October 3, 1996 to October 31, 1999, and interest rates range from 4.7 percent to 8.9 percent. Custodial funds investment maturity dates range from October 10, 1996 to August 31, 1997, and interest rates range from 5.9 percent to 6 percent.

B. Governmental Investments

Governmental investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest. Balances at September 30, 1996, are as follows:

Type of Investment	Cost Basis	Market Value
Money Market Fund	\$7,313,467	\$7,313,467
Equity Mutual Funds	3,022,796	3,094,115
Total	\$10,336,263	\$10,407,582

Note 5. Pledges Receivable

At September 30, 1996, the Library had unconditional pledges of contributions totaling \$11.8 million (rounded) which were discounted through fiscal year 2001 at a market discount rate and included in the statement of financial position at their discounted value of \$10.3 million (rounded). The amounts due in future years, at September 30, at their current discounted value are:

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

	Present Value	Discount	Future Value
FY 1997	\$3,841,801	\$219,299	\$4,061,100
FY 1998	2,798,530	350,130	3,148,660
FY 1999	2,444,275	489,325	2,933,600
FY 2000	932,885	262,815	1,195,700
FY 2001	327,391	120,109	447,500
Totals	\$10,344,882	\$1,441,678	\$11,786,560

Note 6. Property and Equipment (Net)

Property and equipment accounts are maintained in two categories of funds: Appropriated and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment used by Photoduplication Services is recorded in the revolving fund.

The following table shows property and equipment which was capitalized at September 30, 1996.

Classes of Property and Equipment	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Appropriated:			
Operating equipment	\$29,073,601	\$19,875,113	\$9,198,488
ADP software	2,873,781	2,170,621	703,160
Furniture & Furnishings	589,600	70,440	519,160
Capital Leases	1,437,146	250,829	1,186,317
NLS/BPH Equipment - loan to public	70,974,165	35,315,508	35,658,657
Total Appropriated	\$104,948,293	\$57,682,511	\$47,265,782
Revolving:			
Equipment	\$1,359,108	\$804,361	\$554,747
Capital Leases	413,675	98,557	315,118
Total Revolving	\$1,772,783	\$902,918	\$869,865
Total Property and Equipment	\$106,721,076	\$58,585,429	\$48,135,647

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

Note 7. Operating Leases

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal year 1996 amounted to \$5,032,955. Estimated future minimum lease payments through fiscal year 2008 are as follow:

Fiscal Year Ended September 30	
1997	\$3,805,348
1998	2,259,977
1999	2,140,275
2000	2,128,000
2001	2,111,472
Thereafter	13,369,683
Total Estimated Future Lease Payments	\$25,814,755

Note 8. Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library accrued \$2,234,105 of unbilled or unpaid workers' compensation costs as of September 30, 1996, and established an estimated unfunded liability for future costs based on historical claims rates. The estimated future unfunded liability is \$9,248,370 and is based on a ten year projection.

Note 9. Contingent Liabilities

In November 1996, the U.S. Court of Appeals for the District of Columbia Circuit entered an order stating that all appeals from the final approval of the *Cook vs. Billington* class settlement were dismissed and implementation of the settlement could proceed. The settlement calls for payout of \$8.5 million in back pay to the class members under the suit and attorney costs of \$1.6 million, covering fees and expenses incurred by the plaintiffs through December 31, 1993. Additional plaintiff attorney's fees in connection with matters arising from the date of agreement until its expiration are also required to be paid. These awards and fees will be paid from the Treasury's Claims, Judgments and Relief Act Fund and have not been recorded as liabilities in the consolidated financial statements.

In addition, the settlement called for the promotion of 40 class members and the lateral reassignment of ten class members under the terms and conditions of the agreement. The settlement agreement remains in effect for four years from final court approval.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's appropriated funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

Note 10. Net Position

The components of net position at September 30, 1996 are as follows:

Balances:	Appropriated	Reimbursable	Gift & Trust	Revolving	Consolidated
A. Unexpended Appropriations:					
Undelivered Orders	\$62,843,869				\$62,843,869
Unobligated	<u>28,230,763</u>				<u>28,230,763</u>
Total Unexpended Appropriations	\$91,074,632				\$91,074,632
B. Invested Capital	46,942,508				46,942,508
C. Cumulative Results of Operations	414,945	(176,920)	39,774,641	6,250,060	46,262,726
D. Unrealized Gains			71,319		71,319
E. Other:					
Donations and					
Other - Restricted	1,108,011		15,165,927		16,273,938
F. Future Funding Requirements	(25,925,134)	(412,174)			(26,337,308)
G. Total	\$113,614,962	\$(589,094)	\$55,011,887	\$6,250,060	\$174,287,815

A. Unexpended Appropriations

Unexpended appropriations consist of unobligated balances and undelivered orders. Unobligated balances represent amounts appropriated which are unobligated and have not lapsed, been rescinded, or withdrawn. Undelivered orders represent obligations the Library had incurred as of September 30, 1996, for goods and services which were ordered but had not been received by that date.

Unobligated balances are: 1992-96 annual, \$15,672,120; No-Year, \$12,558,643.

B. Invested Capital

Invested capital represents U.S. Government resources invested in certain Library assets. This balance consists of the net book value of property and equipment that is financed by appropriations. Revolving fund property and equipment are not included since they are not purchased from appropriated funds.

C. Cumulative Results of Operations

Cumulative results of operations represent the net difference between expenses and losses and financing sources, including appropriations, revenue and gains, since the inception of the activity.

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

D. Unrealized Gains

Unrealized gains are gains on governmental securities during fiscal year 1996 that were recognized but not realized.

E. Donations and Other - Restricted

Donations and other - restricted represent the total trust fund balance from current and prior years that is permanently restricted (principal may not be spent). It also includes the undepreciated value of property and equipment donated to the Library which is transferred to the appropriated fund upon acquisition. These assets are available for the general use of the Library. Revolving fund property and equipment balances are not included since they are not purchased from appropriated funds.

F. Future Funding Requirements

Future funding requirements represent liabilities reported in the Statement of Financial Position which are not covered by available resources. This amount consists of the Accrued Unfunded Annual and Compensatory Leave and Workers' Compensation Liability balances.

Note 11. Prior Period Adjustments

Adjustment	Appropriated	Reimbursable	Gift & Trust	Revolving	Consolidated
NLS Equipment Capitalization Adjustment	\$(6,865,573)				\$(6,865,573)
Other Equipment Capitalization Adjustment	(1,595,447)			\$191,861	(1,403,586)
Software Capitalization Adjustment	30,048				30,048
Initial Capitalization of Software	25,604				25,604
Initial Capitalization of Leases	162,119			94,671	256,790
Reclassification of Equipment as Building Fixtures	(50,000)				(50,000)
Prior Year Accrual Adjustment, NLS Equipment	464,484				464,484
Donated Assets Depreciation Adjustment	23,480				23,480
A. Total Property and Equipment Adjustments	(7,805,285)			286,532	(7,518,753)
Prior Year Revenue Recognition Adjustment		\$71,748			71,748
Conversion of FEDLINK Account Receivable Balances		(18,023)			(18,023)
Accrued Account Payable Overstated in FY95 Financial Statements			\$4,620		4,620
Reversal of Prior Year Bad Debt Expense				55,368	55,368
Other	(880)	(187)	(101)	70	(1,098)
B. Total Other Adjustments	(880)	53,538	4,519	55,438	112,615
Total	\$(7,806,165)	\$53,538	\$4,519	\$341,970	\$(7,406,138)

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

A. Property and Equipment Adjustments

During the fiscal year 1996, the Library conducted a physical inventory of its capitalizable equipment and a complete review of its property and equipment records. The inventory and review resulted in corrections to the property and accumulated depreciation records. In addition, the Library adjusted its records to account for capitalization of playback machines in bulk by year of purchase.

The beginning net position in the accompanying financial statements has been restated for the effect of these adjustments on the net book value of the property and equipment assets at October 1, 1995. As a result of this restatement, net position at October 1, 1995 has been decreased by \$7,518,753.

B. Other

Various other adjustments, amounting to an increase of \$112,615, were made to correct the net position at October 1, 1995.

Note 12. Non-Operating Changes

Change	Appropriated	Gift & Trust	Consolidated
A. Decrease in Appropriated Capital			
1) Phase out of AID Program	\$(4,171,950)		\$(4,171,950)
2) Difference in FY90/91 Cancellations	(2,084,692)		(2,084,692)
3) Net Decrease in Other Expenditures	(1,528,949)		(1,528,949)
Total Decrease in Appropriated Capital (See A. below)	(7,785,591)		(7,785,591)
B. Other Non-Operating Changes			
Donated Assets:			
1) Transfers-In	632,083		632,083
2) Depreciation	(79,029)		(79,029)
3) Transfers-Out		\$(632,083)	(632,083)
Realized Gains on Redeemed Non-Governmental Securities (Gain Recognized in Prior Year)		(489,026)	(489,026)
Increase in Invested Capital	5,222,275		5,222,275
Total Other Non-Operating Changes	5,775,329	(1,121,109)	4,654,220
Total Non-Operating Changes	\$(2,010,262)	\$(1,121,109)	\$(3,131,371)

THE LIBRARY OF CONGRESS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1996

A. Fiscal Year 1996 Non-Operating Decrease in Appropriated Capital

Increases:	
Transfers-In:	
Treasury Warrants from Appropriations	\$324,700,000
Offsetting Collections from Appropriations	23,613,774
Non-Expenditure Transfers	361,595
Sub-Total	\$348,675,369
Decreases:	
Transfers-Out:	
Appropriations Used from Operating Statement	(\$344,504,290)
Less: Revenues from Depreciation/Loss	12,818,746
Appropriations Used to Acquire Capitalized Assets*	(17,941,742)
FY96 Refund Affecting FY95 NLS Equipment Acquisition*	(127,782)
Appropriations Used to Acquire Operating Materials and Supplies	(99,279)
Canceled FY91 Authority	(6,346,310)
Non-Expenditure Transfers	(245,538)
Other Decreases	(14,765)
Sub-Total	(\$356,460,960)
Total Non-Operating Decreases in Appropriated Capital	(\$7,785,591)

* Appropriations used to acquire capitalized assets, net of FY96 refund of \$127,782 for prior year NLS equipment purchases.

Note 13. Subsequent Events

A. Appropriated

Public Law 104-285 was signed into law on October 11, 1996. Title I reauthorizes the National Film Preservation Board and the National Film Registry for a seven-year period. Title II establishes the National Film Preservation Foundation.

The National Film Preservation Board was originally established in 1988 and reauthorized for 1992-1996 as part of the Library. The National Film Preservation Act of 1996 includes the following provisions:

1. reauthorizes the Board and Registry for a seven-year period;
2. authorizes up to \$250,000 per year to be appropriated for the Board;
3. authorizes terms of office for Board members for both entities of four years; and
4. authorizes no funding for the Foundation until fiscal year 2000 at which time up to \$250,000 is authorized annually to match private contributions until fiscal year 2003, the end of the reauthorization period.